

THE HOME ACT

H.R. 6218

OBJECTIVE: This legislation is designed to achieve what all other foreclosure prevention programs have failed to do: stop the onslaught of foreclosures by offering affordable refinancing opportunities to millions of Americans with mortgages backed by the GSEs (Fannie Mae and Freddie Mac). The foreclosure crisis continues to devastate our districts, and we simply cannot keep responding to a hemorrhaging economy with band-aid solutions. The HOME Act will reduce foreclosures dramatically; reward homeowners who have continued to make their mortgage payments; and free up the capital needed to reinvigorate the housing market and the economy as a whole.

WHO BENEFITS:

- 1) **All Americans with a Fannie- or Freddie-Backed Mortgage.** Whether they have a loan that is in **default or current**, homeowners will immediately have the opportunity to obtain a long-term, fixed rate mortgage that they can afford now and in the future.
- 2) **All Would-be Homebuyers.** They will benefit from the floor of home prices created by the prevention of additional foreclosures and the availability of credit for new mortgages that will become available.
- 3) **The U.S. Economy.** Our nation's lagging economy will be stimulated by the simple fact that millions of Americans will have a reduced mortgage payment and hundreds more dollars each month to spend, the equivalent of a large increase in annual income for years for struggling middle-income households.

HOW THIS IS ACHIEVED: Using the conservatorship of Fannie Mae and Freddie Mac, all mortgages currently owned or guaranteed by Fannie Mae and Freddie Mac that meet the basic criteria will qualify for the opportunity to refinance at historically low market rates. This would allow homeowners to reduce their monthly mortgage payment by hundreds of dollars—reducing the number of defaults and preventing foreclosure. To fund the program, Fannie and Freddie would issue new mortgage-backed securities (MBS) to fund the refinanced mortgages and use the proceeds to pay off the existing MBS (just like what happens now when borrowers refinance). Fannie and Freddie would receive the same cash flow to cover default risk that they do now, passing along the reductions in financing costs to borrowers.

COSTS: LITTLE-TO-NO COST TO TAXPAYERS. The fees for refinancing would be rolled into the mortgage to eliminate the cost to taxpayers—penalties would be waived. As GSEs, Fannie and Freddie are currently wards of the federal government. As a result, mortgages they currently hold are financial liabilities held by the U.S. government. The HOME Act would help reduce that liability over the medium-to-long-term by preventing the potential for millions of foreclosures that would otherwise leave taxpayers on the hook. There are about 30 million outstanding mortgages whose losses are guaranteed by the federal government through Fannie or Freddie. Morgan Stanley and JP Morgan Chase have evaluated potential savings from such a program and have estimated an annual reduction in mortgage payments of about \$50 billion.

An official estimate is currently being evaluated by the Congressional Budget Office